STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

Summary Analysis

Summary:

Port Lavaca, Texas; General Obligation

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Credit Profile		
Port Lavaca GO		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Many issues are enhanced by bond insurance.		

Rationale

Standard & Poor's Ratings Services raised its long-term rating and underlying rating (SPUR) on Port Lavaca, Texas' general obligation (GO) debt one notch to 'AA-' from 'A+' based on Standard & Poor's local GO criteria, published Sept. 12, 2013, on RatingsDirect. The outlook is stable.

Ad valorem taxes levied, within the limits prescribed by law, on all taxable property in the city secure the bonds and certificates.

The rating reflects our opinion of the following credit factors for Port Lavaca:

- We view Port Lavaca's local economy as very weak with projected per capita effective buying income of roughly 71% of the national average. Market value is $41,800 per capita. The city, with a population estimate of 12,050, is Calhoun County's seat; it also encompasses 3.6 square miles of waterfront on the Gulf Coast. Port Lavaca is about two miles south of Victoria and 90 miles east of Corpus Christi. County unemployment decreased by 31% since 2011 to 6.3% in 2013, according to the U.S. Bureau of Labor Statistics.
- In our opinion, Port Lavaca's management conditions are strong with "good" financial management practices under our Financial Management Assessment methodology, indicating that financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them. We understand management uses historical actual revenue and expenditure figures, current and projected building activity, and sales tax collections to formulate revenue and expenditure projections. The city council amends the budget, as needed, based on staff recommendations. City officials have adopted a policy of maintaining cash reserves of at least four months' operations, and management developed a five-year capital improvement plan. City officials are currently formalizing the long-term financial plan.
- With available reserves of 37% of operating expenditures in fiscal 2013, it is our opinion budgetary flexibility is very strong. Port Lavaca has taken on capital projects by using reserves; in our opinion, however, we do not expect this to have a large effect on its overall finances.
- In our view, very strong liquidity supports Port Lavaca's finances with total government available cash of 156% of total government fund expenditures and 37.2x debt service. Based on its past debt issuance, we believe Port Lavaca has strong access to capital markets to provide for liquidity needs, if necessary.
- In our view, overall budgetary performance is strong with a surplus of 11% for the general fund and a surplus of 11.6% for total governmental funds in fiscal 2013. Based on fiscal 2014 year-to-date projections, we believe Port Lavaca's financial performance will end with a break-even result.
- In our view, Port Lavaca's debt and contingent liabilities profile is very strong. Net direct debt is 34.6% of total governmental funds revenue, and total governmental funds debt service is 4.2% of total governmental funds

expenditures. Officials plan to retire approximately 95% of debt over 10 years, which we consider a credit strength. In our opinion, the net-debt-to-market-value ratio is a low 2.7%, which we consider a positive credit factor. Last year, Port Lavaca contributed 100% of its annual required pension contribution. The combined annual pension and other postemployment benefits cost accounted for 3% of total government expenditures in fiscal 2013. Port Lavaca has exposure to four private-placement issuances totaling $7.07 million. According to ordinances and official statements of the city's parity debt, debt acceleration is not a remedy for default. In our view, we believe these issuances will not stress liquidity.

- We consider the Institutional Framework score for Texas municipalities strong.

Outlook

The stable outlook reflects Standard & Poor's opinion that Port Lavaca will likely maintain its very strong reserves while also having access to liquidity. While we do not expect to change the rating within the next two years, we, however, could lower the rating if overall financial performance were to deteriorate. Conversely, we could raise the rating if economic indicators were to improve.

Related Criteria And Research

Related Criteria

USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Texas Local Governments

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